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VILLAGE OF FARWELL
LOCAL DEVELOPMENT FINANCE AUTHORITY
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
FEBRUARY 29, 2008

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RSM! McGladrey Network

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INDEPENDENT AUDITORS' REPORT

July 17, 2008

Members of the Authority Board
Village of Farwell Local Development
Finance Authority
Clare County, Michigan

We have audited the accompanying financial statements of the special revenue fund of the Village of Farwell Local Development Finance Authority, Clare County, Michigan, a component unit of the Village of Farwell, as of and for the year ended February 29, 2008, as listed in the index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the special revenue fund and do not purport to, and do not present fairly, the financial position of the Village of Farwell Local Development Finance Authority, Clare County, Michigan, as of February 29, 2008, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the special revenue fund of the Village of Farwell Local Development Finance Authority, Clare County, Michigan as of February 29, 2008, and the changes of financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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VILLAGE OF FARWELL
LOCAL DEVELOPMENT FINANCE AUTHORITY

Balance Sheet
February 29, 2008

	<u>Special Revenue Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 49,066
Due from other governmental units	<u>100</u>
Total Assets	<u><u>\$ 49,166</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>Liabilities</u>	
Due to other governmental units	\$ 60,894
Deposits on land	<u>2,000</u>
	62,894
<u>Fund Balance</u>	
Unreserved	<u>(13,728)</u>
Total Liabilities and Fund Balance	<u><u>\$ 49,166</u></u>

See accompanying notes to financial statements.

VILLAGE OF FARWELL
LOCAL FINANCE DEVELOPMENT AUTHORITY
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended February 29, 2008

	Special Revenue Fund
<u>Revenues</u>	
Taxes	\$ 100
Reimbursements	24,618
	<u>24,718</u>
 <u>Expenditures</u>	
Legal and other professional fees	210
Other	95
Debt service	6,398
Total expenditures	<u>6,703</u>
 Excess of revenues expenditures	 <u>18,015</u>
 Fund balance (deficit) - beginning of year, as previously stated	 (32,743)
 Prior period adjustment	 <u>1,000</u>
 Fund balance (deficit) - beginning of year, restated	 <u>(31,743)</u>
 Fund balance (deficit) - end of year	 <u><u>\$ (13,728)</u></u>

See accompanying notes to financial statements.

VILLAGE OF FARWELL
LOCAL FINANCE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Authority's Operations

The Village of Farwell Local Development Finance Authority (Authority) is a component unit of the Village of Farwell and operates under the supervision and control of a Board consisting of the Chief Executive Officer of the Village of Farwell, and seven members as provided by Act 197. The Authority was established to serve all the citizens of the government.

Basis of Presentation

The financial activities of the Authority are recorded in separate funds and account groups, categorized and described as follows:

Special Revenue Fund - This fund is used to account for the specific revenue sources (other than special assessments) that require separate accounting because of legal or regulatory provisions or administrative action.

Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the County tax rolls.

2. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
3. Normally, expenditures are not divided between years by the recording of prepaid expenses.

VILLAGE OF FARWELL
LOCAL FINANCE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 2 –BUDGET

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund and all special revenue funds prior to the expenditure of monies in a fiscal year.

P.A. 621 of 1978, Section 18(1), as amended, provides that local units shall not incur expenditures in excess of the amount appropriated. The LDFA adopted the budget for the year ended February 29, 2008 after the beginning of the fiscal year, and is in violation of the Act.

NOTE 3 – DEFICIT FUND BALANCE

The Authority is a component unit of the Village of Farwell (Village) and is currently operating under a deficit fund balance. The deficit has been financed by advances from the General Fund of the Village. It is the intention of the Authority to repay the General Fund as lots are sold in the Industrial Park.

NOTE 4 - CASH AND INVESTMENTS

The Authority has adopted a formal investment policy consistent with that authorized by Michigan Law. The Authority's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk. The Authority did not have funds in investments at February 29, 2008.

Cash

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of February 29, 2008, the amount exposed to custodial credit risk could not be determined since the Authority participates in the government's common cash. The federal depository insurance is not specifically allocated to their balance.

VILLAGE OF FARWELL
LOCAL DEVELOPMENT FINANCE AUTHORITY
Notes to Financial Statements
For the Year Ended February 29, 2008

NOTE 4 - LONG-TERM DEBT

	Balance March 1, 2007	Debt Issued	Debt Retired	Balance February 29, 2008
State of Michigan Community Development Block Grant Program Revenue bonds, dated April 1, 2000 due in quarterly installments through May 2017, with no stated interest.	<u>\$ 34,561</u>	<u>\$ 0</u>	<u>\$ 3,638</u>	<u>\$ 30,923</u>

Annual debt service requirements to maturity for the above obligation are as follows:

<u>Year Ended February 28</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 3,638	\$ 0
2010	3,638	0
2011	3,638	0
2012	3,638	0
2013	3,638	0
2013-2017	<u>12,733</u>	<u>0</u>
Total	<u>\$ 30,923</u>	<u>\$ 0</u>

NOTE 5 – PRIOR PERIOD ADJUSTMENT

The fund balance of the Village of Farwell – Local Development Finance Authority at March 1, 2007, has been increased by \$1,000. The adjustment was made to adjust for a deposit on land received in a prior year.



Village of Farwell

Clerk 989-588-9927 • Treasurer 989-588-9926 • DPW 989-588-9530

June 6, 2008

Michigan Department of Treasury
Local Audit Finance Division
P.O. Box 30728
Lansing, MI 48909-8228

Village of Farwell
Clare County Michigan
State ID Number 18-3010

Deficit Elimination Plan

It is the intent of the Village to eliminate the debt in its' LDFA and Industrial Park thought the sale of lots in the industrial Park. Once the lots are sold the Industrial Park will have sufficient funds to eliminate its debt and transfer funds to the LDFA to pay off its debt.

The Village of Farwell is currently negotiating sale of several lots in the Industrial Park and expects to have the eliminated by February 28, 2009

Sincerely,
Village of Farwell

Diane Maki
Farwell Village Clerk

South Hall Street • Post Office Box 374 • Farwell, Michigan 48622-0374

Equal Opportunity Employer